



Commercial Service Caribbean Region Santo Domingo

Plastic Production Machinery

Market Overview:

The Dominican economy deteriorated in 2003 when GDP growth was -0.4%, inflation reached 43 percent and the exchange rate reached an all-time high of RD\$50 to US\$1.00. However, a new administration was sworn into office in August 2004. There is a commitment by the Fernandez administration to re-establish growth and competitiveness. There are already visible signs of growth, including an expansion among the country's banks. In fact, GDP grew by two percent in 2004 and the Dominican peso has appreciated to approximately RD\$28 to US\$1.



This recuperation has been the result of a tight monetary policy and the strengthening of fiscal measures by the Government of the Dominican Republic. These factors were critical to regain the confidence of the economic agents.

The plastic industry sector in the Dominican Republic represents one of the largest plastic industries in the Caribbean. There are approximately 300 companies operating in the local market. These firms are small to medium size companies, with the exception of a few large manufacturing plants such as Industrias Nacionales, Corvi PVC and Alambres Dominicanos that manufacture tubing, fittings and pipes for building/construction and agriculture industries. Also, Plasticos Duralon, Plastiflex, Termopac, Polyplas and Nesplas that manufacture housewares, bottles, caps, bags, disposable dishes, spoons, forks and packaging products for the food processing industry. Some of these companies are currently exporting to the Caribbean and Central America.

The plastics processing industry in the Dominican Republic is mainly composed of four different categories:

- Injection Molding: is comprised of manufacturers of houseware and other plastic containers and plastic parts
- Extrusion: this group manufactures tubing, fittings and pipes.
- Blow-molding: is composed by 80% of the plastic processor companies engaged with the manufacturing process of food packaging, bottles, caps, disposable dishes, spoons, forks, cups, etc.
- Thermoforming: foam products.

The Free Trade Agreement between the United States and Central America-Dominican Republic, CAFTA-DR, is currently under consideration by the Dominican Congress. There is a prevailing opinion in the Dominican Congress and among most business associations that competitive measures must be passed before the Dominican Congress should ratify the Free Trade Agreement. Plastic machinery would enter duty-free into the Dominican Republic, upon the implementation of the agreement.

Import Market

Plastic Production Machinery

	2003 *	2004 *	2005 (e) *
Total Market	11.7	12.6	18.7
Exports	0	0	0
Local Production	0	0	0
Total Imports	11.7	12.6	18.7
Imports from the U.S.	4.0	4.6	13.9

* Not official statistics. Estimates based on interviews with industry sector representatives.





The market for plastic production machinery and parts in the Dominican Republic did not have a significant growth in 2004 as a result of the economic situation that the country experienced due to a banking crisis, and a 100 percent depreciation of the local currency in 2003. U.S. exports of plastic production machinery to the Dominican Republic in 2003 reached \$4 million, increasing to US\$4.6 million in 2004, but industry experts surveyed indicated that U.S. exports of plastic machinery to the Dominican Republic will grow by 48 percent in 2005.

The total import market for plastic production machinery grew from US\$11.7 million in 2003 to US\$ 12.6 million in 2004, and is expected to increase to US\$18.7 million in 2005.

The U.S. market share in the sector has been around 35% over the past two years (2003 and 2004), estimates show that U.S. will have a 36% market share in 2005. The remaining imports are distributed among European countries (UK, Italy, Spain and Germany), and the Far East (China and Taiwan).

The main barrier to increasing U.S. exports of plastic machinery to the Dominican Republic is the sheer size of the machinery sold by U.S. suppliers. The majority of Dominican plastic producers are small companies and the machines are too costly for them and are too large for the market. Prices of plastic working machinery are not competitive for the Dominican market when compared to China and Taiwan. U.S. exporters to the D.R. could increase their sales by offering credit facilities to local buyers.

Competitive Analysis

There is no domestic production of plastic production machinery in the Dominican Republic; the demand is entirely supplied by imports.

There are a small number of agent distributors of plastic processing machinery in the Dominican Republic; end-users usually import their equipment directly from foreign suppliers. According to industry sources, 50 percent of the plastic working machinery imported into the Dominican Republic is used or refurbished.

Currently, the principal suppliers for plastic machinery and parts are: United States, Italy, Spain, Germany, Brazil, Switzerland, UK, China and Korea. Other secondary players that contribute to the total imports by supplying spare parts and small machinery are: Canada, Mexico, Venezuela, Ecuador, France, and Belgium among others.

Brands Currently in the Dominican Republic:

Cincinnati Milacron	Engel
Husky	Battenfeld
Rocheleau	Arburg
Van-Dorn	Brown
Aoki	Reed
	Newbury
Francesconi	
Kraus Maffei	

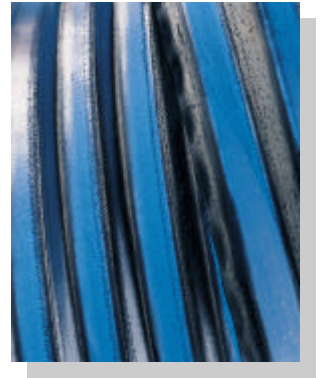
End-user receptivity to U.S. products/services in Dominican Republic is high; however, the Dominican market is extremely price sensitive, and price continues to be the principal factor in selection. Quality, financial terms, freight costs, after-sale service, are also taken into consideration.

The products covered under this report are as follows:



Harmonized System Code Description

847710 - Injection-molding machines
847720 - Extruders
847730 - Blow-molding Machines
847740 - Vacuum-molding machines and other thermoforming machines
847759 - Machinery for molding or otherwise forming rubber or plastics
847780 - Machinery for working rubber or plastics
847790 - Parts of injection-molding machines for rubber or plastics



Market Access

Exporting plastic production machinery to Dominican Republic is currently neither subject to specific regulations nor incentives. There are no particular safety standards or technical requirements contrary to U.S. standards, and there are no specific labeling requirements.

Although the import tariff rate for most equipment in this sector is 3 percent over the CIF value, the effective tax rate can go over 45 percent. This is a result of the application of other taxes such as the 16 percent value added tax (ITBIS), and the exchange surcharge tax of 13 percent.

Direct Import Cost

Base Price		US\$100.00
Exchange to pesos (US\$1.00=RD\$29.13*) (* Official Exchange rate at Dominican Customs 6/17/05)		RD\$2,913.00
Freight & Insurance (average 8%)	RD\$233.04	
Dutiable Base = CIF in RD\$ pesos		RD\$3,146.04
3 percent Duty Rate (Arancel)	RD\$ 94.38	
- Exchange surcharge 13 of CIF	RD\$408.98	
VAT Base		RD\$3,649.40
VAT=ITBIS 16 percent	RD\$583.90	
Freight Forwarders fees (1.5% on CIF)	RD\$47.19	RD\$4,233.30
Bank Charges - Draft of letter of credit 2% of CIF	RD\$62.92	
Landed Cost		RD\$4,343.41 (US\$149.10)



Key Contacts

There is not an organization or trade association for the plastic processor companies in the Dominican Republic, U.S. suppliers can reach them through the following contacts:

- **American Chamber of Commerce of the Dominican Republic**

Ave. Sarasota No. 20
Torre Empresarial, 6th Floor
Santo Domingo, Dominican Republic
Phone: 809/ 381-0777
Fax: 809/ 381-0303
Contact: Mr. William Malamud, Executive Vice President
E-mail: amcham@Verizon.net.do
Web Site: www.amcham.org.do



- **Camara de Comercio y Producción de Santo Domingo**

(Santo Domingo Chamber of Commerce)
Arzobispo Nouel No. 206
Zona Colonial
Santo Domingo, Dominican Republic
Phone: 809/ 682-2688
Fax: 809/ 685-2228
Contact: Mrs. Milagros J. Puello, Executive Director
camara.sto.dgo@codetel.net.do
Web Site: www.cccpsd.org.do

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